

Message Text

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FOR DEPUTY ASSISTANT SECRETARY JULIUS L. KATZ

FOLLOWING REPEAT STOCKHOLM 05678 ACTION SECSTATE INFO
EC BRUSSELS GENEVA MTN GENEVA COPENHAGEN HELSINKI
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QUOTE

LIMITED OFFICIAL USE STOCKHOLM 5678

E.O. 11652: N/A
TAGS: ETRD, GATT, SW
SUBJECT: SWEDISH RESTRICTIONS ON FOOTWEAR IMPORTS

REF: A. STOCKHOLM 5522; B. STOCKHOLM 5514

1. SUMMARY. SWEDISH GOVERNMENT HAS BEEN SEVERELY CRITICIZED
FOR DECISION TO IMPOSE IMPORT QUOTAS ON FOOTWEAR BY REPRESENTA-
TIVES OF EUROPEAN COMMUNITY, OECD, EFTA AND EVEN SWEDISH
ECONOMISTS. MINISTER OF COMMERCE HOWEVER, HAS SAID THAT THE
RESTRICTIVE ORDERS WILL NOT BE WITHDRAWN, AS REQUESTED BY SWEDEN'S
TRADING PARTNERS. US FOOTWEAR, (LARGELY LEATHER SHOES) SALES IN
SWEDEN HAVE BEEN INCREASING SHARPLY (\$265,000 DURING JAN-JUNE 1975)
BUT THEY CONSTITUTE ONLY A FRACTION OF ONE PERCENT OF TOTAL IMPORTS.
CRITICISM OF GOS HAS CENTERED ON: (1) THE WEAKNESS OF ARGUMENT

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THAT SHOE INDUSTRY MUST BE PROTECTED FOR SECURITY REASONS:

(2) THE INCONSISTENCY OF SWEDISH POLICY OF URGING THAT LDC'S BE GIVEN OPPORTUNITY TO SELL THEIR PRODUCTS IN DEVELOPED COUNTRIES AND SWEDISH DECISION WHICH HITS LDC PRODUCTS DIRECTLY; AND (3) TO LESSER EXTENT, THE FAILURE TO CONSULT BEFORE MAKING THIS DECISION. EMBASSY HAS MADE ORAL REPRESENTATION, PARTICULARLY ON POINT (3) ABOVE. END SUMMARY.

2. SWEDISH PRESS HAS COVERED RATHER FULLY STATE OF PLAY OF THE "SHOE HASSLE", AND IN CRITICAL TERMS SWEDISH DECISION TO RESTRICT FOOTWEAR IMPORTS. FOR EXAMPLE, IN EDITORIAL OF CONSERVATIVE SVENSKA DAGBLADET OF NOV 6, IT STATES THAT NEED TO HAVE AN ADEQUATE SUPPLY IS SELF-EVIDENT BUT "THIS IS NOT SUFFICIENT ARGUMENT TO RESORT TO IMPORT RESTRICTIONS OF THIS KIND"; THAT "PREPAREDNESS CANNOT BE USED ONLY WITH RESPECT TO FINISHED PRODUCTS BUT SHOULD APPLY TO RAW MATERIALS"; THAT ACTION IS INCONSISTENT WITH STATEMENTS BY SWEDISH SPOKESMAN URGING INDUSTRIALIZED COUNTRIES TO SUPPORT INDUSTRIALIZATION EFFORTS OF DEVELOPING COUNTRIES AND ADDS "THE GOVERNMENT SHOULD SEE TO IT THAT IT PRACTICES WHAT IT PREACHES". ALSO, ON NOV 1 SOME FIFTY OF THE LEADING SWEDISH ECONOMISTS, IN A LETTER TO SWEDISH GOVERNMENT, STATED THAT GOVERNMENT ACTION WAS "MORALLY REPREHENSIBLE SWEDEN IS CONTRAVENING ITS OWN DECLARED PRINCIPLES OF FREE TRADE". THEY DID NOT ACCEPT THE GOVERNMENT'S "PREPAREDNESS EXCUSES" AND THOUGHT THE SOLUTION MIGHT BE FOUND IN GOVERNMENT PURCHASES AND STORAGE. ALSO, THEY EXPRESSED CONCERN THAT SWEDEN'S TRADING PARTNERS WOULD TAKE REPRISAL MEASURES. SEPARATELY, A SWEDISH CONSULTANT TO THE ORGANIZATION OF COPPER EXPORTING COUNTRIES (CIPEC) SAID "THE SWEDISH GOVERNMENT HAS DISGRACED ITSELF; THERE ARE MANY REASONS FOR INDIGNATION". IN RESPONSE TO THESE CRITICISMS AND REPRESENTATIONS FROM EC, OECD AND EFTA SPOKESMEN TO HAVE THE RESTRICTIONS LIFTED, THE MINISTER OF COMMERCE KJELL-OLOF FELDT HAS INFORMED PRESS THAT GOS WOULD NOT PULL BACK ITS ORDERS, DESPITE CRITICISMS.

3. IN EMBASSY CONVERSATIONS WITH GOS SPOKESMAN (ARVIDSON OF MFA), SOURCE SAID THAT SWEDEN HAD DISCUSSED WITH GATT OFFICIAL (UNAMED) SWEDEN'S DIFFICULTIES AND OF POSSIBILITY OF IMPOSING RESTRICTIONS FOR SECURITY REASONS. WHEN PRESSED ABOUT CONSULTATION PROCEDURES, SOURCE SAID THAT GOS WAS PREPARED TO CONSULT AND HAD SO INDICATED TO A NUMBER OF COUNTRIES. HE WAS DEFENSIVE HOWEVER ABOUT FACT LIMITED OFFICIAL USE

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THAT ACTION WAS TAKEN BEFORE CONSULTATIONS AND PROCEEDED TO ARGUE THAT A REVIEW OF INDUSTRY SITUATION HAD SHOWN IT WOULD DECLINE TO 60 PERCENT OF PRESENT LEVEL IN ONE YEAR IF SOMETHING WAS NOT DONE TO SLOW DOWN IMPORTS, THAT THIS INVOLVED SOME 1,900 EMPLOYEES (NINE FIRMS EMPLOY MORE THAN 80 WORKERS EACH) WITH SMALL FIRMS SCATTERED AROUND THE COUNTRY, THAT SUGGESTION HAD BEEN MADE INTERNALLY TO SUBSIDIZE PRODUCTION BUT THIS WAS REJECTED. FURTHER, HE ARGUED THAT FOR MOST COUNTRIES THEIR EXPORTS TO SWEDEN WILL NOT

BE REDUCED MARKEDLY, ALTHOUGH HE ALLOWED THAT DENMARK WAS AN EXCEPTION BECAUSE THEIR SALES HAVE INCREASED SHARPLY IN RECENT YEARS (PARTLY DUE TO A SHOE PLANT ESTABLISHED IN THAT COUNTRY BY NORWEGIAN INTERESTS). REGARDING TREATMENT OF FOOTWEAR FROM SOCIALIST COUNTRIES (BLOC COUNTRIES), SOURCE SAID QUOTA GIVEN IN SWEDISH KRONOR HAD NOT BEEN CHANGED DURING 1972-74; THIS WAS INCREASED SLIGHTLY IN 1975 TO ADJUST FOR HIGHER PRICES PER PAIR. FOR SOUTH KOREA, TAIWAN AND MALAYSIA, WITH WHOM SWEDEN HAS BILATERAL QUOTA ARRANGEMENTS FOR SHOES, SOURCE SAID THEY WOULD NOT BE AFFECTED BUT NOTED THAT THEIR SALES WERE SEVERELY RESTRICTED.

4. QUOTAS FOR SHOES WILL BE SUPERVISED AND CONTROLLED BY BOARD OF TRADE WHICH COMES UNDER MINISTRY OF TRADE. IN IMPLEMENTING QUOTA FOR SHOES, FOLLOWING GUIDELINES WILL BE USED ACCORDING TO A BOARD OF TRADE SOURCE:

A. QUOTA YEAR WILL BE FROM NOV 5, 1975. IMPORT LICENSE IS REQUIRED FOR ALL FOOTWEAR IMPORTS EFFECTIVE FROM THIS DATE BUT GOODS CONTRACTED FOR AND SHIPPED BY NOV 4 WILL BE AUTOMATICALLY APPROVED. LICENSE APPROVAL FOR SHIPMENTS IN SUBSEQUENT PERIODS WILL BE SCREENED. ALL IMPORTS ENTERED WILL BE CHARGEABLE TO IMPORT QUOTA GIVEN TO A PARTICULAR IMPORTER.

B. IMPORTERS HAVE BEEN ORDERED TO PROVIDE IMPORT DATA, SUPPORTED BY DOCUMENTS, OF ALL RECEIPTS BETWEEN JULY 1, 1973 AND JUNE 30, 1975. THIS INFORMATION WILL BE USED TO DETERMINE ALLOCATIONS FOR EACH IMPORTER. TOTAL IMPORTS IN A QUOTA YEAR WILL BE RESTRICTED TO THE AVERAGE ANNUAL IMPORT LEVEL DURING CALENDAR YEARS 1972-74. THUS, PERCENTAGE OF TOTAL IMPORTS SUPPLIED BY AN IMPORTER DURING JULY 1, 1973 - JUNE 30, 1975, WILL BE APPLIED TO AVERAGE IMPORTS DURING 1972-74 IN DETERMINING IMPORTER ALLOCATIONS. SINCE ONE MUST ALLOW FOR POTENTIAL NEW IMPORTERS, ROUGHLY 10 PERCENT OF TOTAL IMPORT QUOTA MAY BE SET ASIDE FOR LIMITED OFFICIAL USE

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"NEW IMPORTERS". FINAL ALLOCATION DECISION WILL BE MADE SOMETIME IN DECEMBER.

C. IMPORTS FROM SOUTH KOREA, TAIWAN AND MALAYSIA WILL NOT BE AFFECTED BY NEW IMPORT QUOTA REGULATIONS SINCE THIS TRADE NOW FLOWS UNDER BILATERAL QUOTA ARRANGEMENTS. THESE AGREEMENTS HOWEVER WILL EXPIRE ON MARCH 17, 1976. HOW IMPORTS FROM THESE SOURCES WILL BE TREATED AFTER THAT DATE HAS NOT BEEN DECIDED.

5. IMPORT QUOTAS AFFECT FOLLOWING TRADE STATISTICAL NUMBERS: 64.01.120 (RUBBER AND PLASTIC BOOTS); 64.01.203-209 (FOOTWEAR WITH OUTER SOLES OF RUBBER OR PLASTIC); AND 64.02.200-318 (LEATHER SHOES).

6. IMPORTS FROM UNITED STATES ARE CONCENTRATED IN LEATHER

SHOE CATEGORY. TOTAL IMPORTS DURING JAN-JUNE 1975 WERE
21,285 PAIRS VALUED AT SKR 1,153 THOUSAND; FOR 1974 - 26,017
PAIRS AT SKR 2,057 THOUSAND; 1973 - 9,602 PAIRS AT SKR 584
THOUSAND; AND FOR 1972 - 11,587 PAIRS AT SKR 420 THOUSAND.
AS NOTED, VALUE (SKR 4.35 - \$US 1.00) OF IMPORTS WAS SMALL
ALTHOUGH GROWING; THEY ACCOUNT ONLY FOR A FRACTION OF ONE
PERCENT OF TOTAL IMPORTS.

7. EXCEPT FOR PARA 3 REFERENCES TO SOURCE, MESSAGE IS
UNCLASSIFIED. STRAUSZ-HUPE
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